

## K THRU 12 EDUCATION

### REINVESTING IN EDUCATION

The Budget begins to reverse the recent decline in funding for K-12 education programs. Since reaching an all-time high of \$56.6 billion in 2007-08, Proposition 98 funding of K-12 schools and community colleges slipped to \$47.6 billion for the 2011-12 year.

The Budget provides Proposition 98 funding of \$52.5 billion for 2012-13, an increase of \$4.9 billion compared to 2011-12. When accounting for all state, federal, and local property tax resources, total funding for K-12 education is projected to be \$67.1 billion in 2012-13. This funding supports California's school districts, charter schools, and county offices of education that provide instruction and support services to more than six million students.

The Budget assumes passage of the Governor's proposed tax initiative which will provide \$6.9 billion in additional revenue for education programs. In the event the initiative does not pass, the Budget includes a trigger reduction of \$4.8 billion. A reduction of this magnitude would result in a funding decrease equivalent to more than the cost of three weeks of instruction. It will also continue to provide 20 percent of program funds a year in arrears.

In addition to assuming new revenues, the Budget includes a series of adjustments or "rebenchings" of the Proposition 98 guarantee. The most significant adjustment relates to the elimination of the sales tax on gasoline in 2010-11. These adjustments provide \$373.2 million of General Fund savings. The Budget also includes a Proposition 98

General Fund reduction of \$171.2 million to special education and community college apportionments in the current year to offset increased property taxes resulting from the elimination of redevelopment agencies (RDAs).

The Budget builds upon flexibility granted to schools in recent years and gives significant decision-making authority to local school districts. While local districts have enjoyed recent, temporary flexibility to use many categorical programs for any educational purpose, a significant number of programs remain cordoned off. The Budget dramatically increases flexibility and local control by consolidating the vast majority of categorical programs (excluding federally required programs such as special education) with revenue limit apportionments into a single stream of funding for schools on a permanent basis. In doing so, it will eliminate many of the inefficiencies and costs that plague the current system of school finance, while continuing to target funds to schools with large populations of disadvantaged pupils. This change will empower local school officials to determine the best uses of scarce resources. It will increase transparency and help to facilitate greater and more informed involvement of parents and community members in local school financial matters. As a result, parents and community members will be better able to access information on the performance of their local schools and hold schools accountable.

The Budget recognizes that this is a time for reinvestment and reform, not for program expansions. As such, it does not fund the new Transitional Kindergarten program created pursuant to Chapter 705, Statutes of 2010, for a cost avoidance of \$223.7 million. These savings will be used to support existing education programs. The Budget also proposes an increase of more than \$2.3 billion in Proposition 98 General Fund to reduce inter-year budgetary deferrals for schools and community colleges.

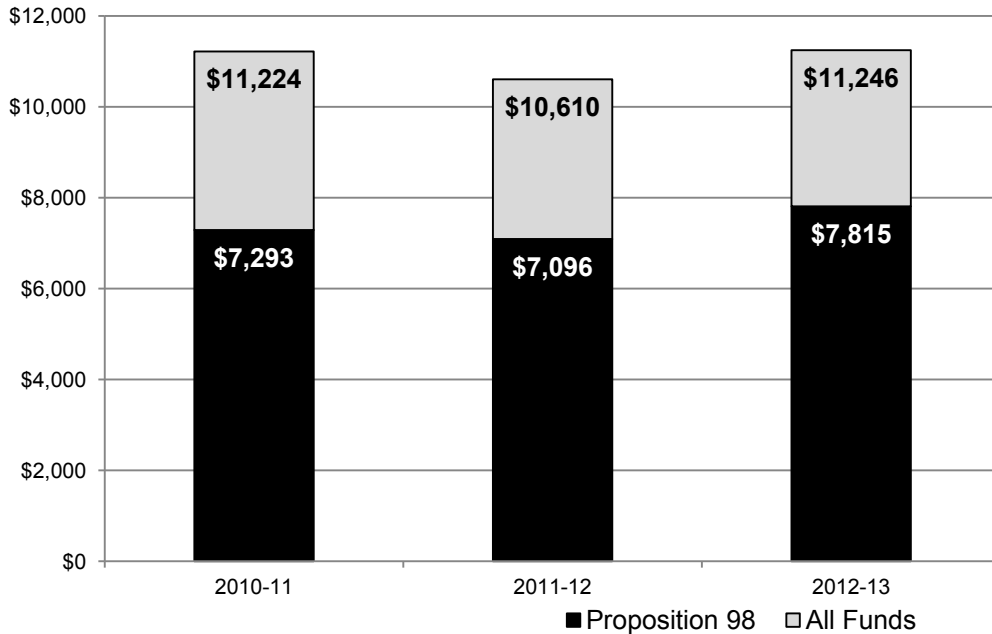
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## **K-12 SCHOOL SPENDING AND ATTENDANCE**

### **PER-PUPIL SPENDING**

Total per-pupil expenditures from all sources are projected to be \$10,610 in 2011-12 and \$11,246 in 2012-13, including funds provided for prior year settle-up obligations. K-12 Proposition 98 per-pupil expenditures in the Budget are \$7,815 in 2012-13, up significantly from the \$7,096 per-pupil provided in 2011-12. (See Figure K12-01). Figure K12-02 displays the revenue sources for schools.

Figure K12-01  
K-12 Education Spending Per Pupil



### HOW SCHOOLS SPEND THEIR MONEY

Figure K12-03 displays FY 2009-10 expenditures reported by schools from their general funds, the various categories of expenditure and the share of total funding for each category.

#### ATTENDANCE

After several years of declining attendance from 2005 to 2010, attendance in public schools began increasing gradually in the 2010-11 fiscal year. Public school attendance is projected to continue increasing

Figure K12-02  
Sources of Revenue for California's K-12  
Schools  
(As a Percent of Total)

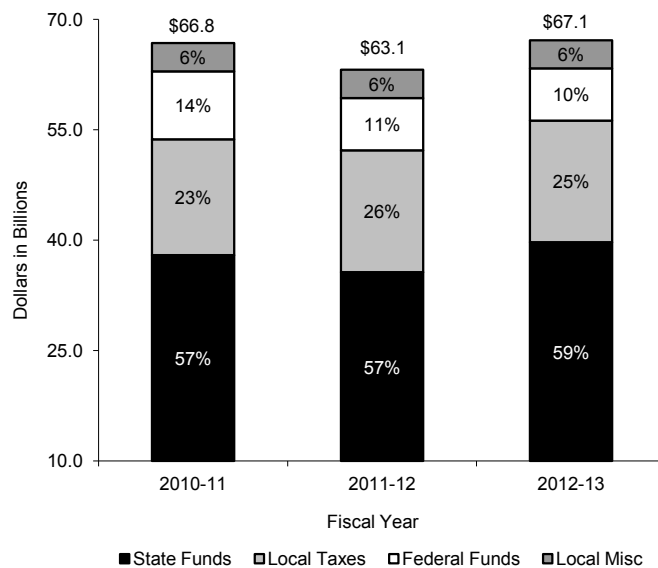
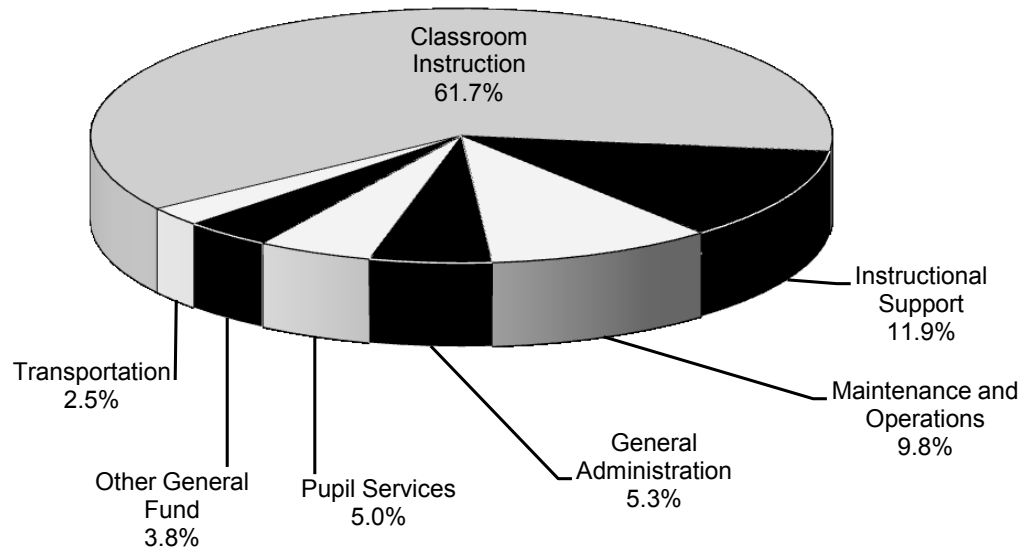


Figure K12-03  
**Where Schools Spend Their Money<sup>1</sup>**



Classroom Instruction includes general education, special education, teacher compensation, and special projects. General Administration includes superintendent and board, district and other administration and centralized electronic data processing. Instructional Support includes instructional, school site, and special projects administration. Maintenance and Operations includes utilities, janitorial and groundskeeping staff, and routine repair and maintenance. Pupil Services includes counselors, school psychologists, nurses, child welfare, and attendance staff. Other General Fund includes spending for ancillary services, contracts with other agencies, and transfers to and from other district funds.

<sup>1</sup> Based on 2009-10 expenditure data reported by schools for their general purpose funding.

during the 2011-12 and 2012-13 fiscal years. For 2011-12, K-12 average daily attendance (ADA) is estimated to be 5,950,041, an increase of 2,673 from the 2010-11 fiscal year. For 2012-13, the Budget estimates that K-12 ADA will increase by an additional 20,734 to 5,970,775.

### **PROPOSITION 98 GUARANTEE**

A voter-approved constitutional amendment, Proposition 98 guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline.

Proposition 98 originally mandated funding at the greater of two calculations or Tests (Test 1 or Test 2). In 1990, Proposition 111 (SCA 1) was adopted to allow for a third funding test in low revenue years. As a result, three calculations or tests determine

funding for school districts and community colleges (K-14). The calculation or test that is used depends on how the economy and General Fund revenues grow from year to year.

### **PROPOSITION 98 TEST CALCULATIONS**

**Test 1 — Percent of General Fund Revenues:** Test 1 is based on a percentage or share of General Fund tax revenues. The base year for the Test 1 percentage is 1986-87, a year in which school districts and community colleges (K-14) received approximately 40 percent of General Fund tax revenues. As a result of the recent shifts in property taxes from K-14 schools to cities, counties, and special districts, the current rate is approximately 39 percent.

**Test 2—Adjustments Based on Statewide Income:** Test 2 is operative in years with normal to strong General Fund revenue growth. This calculation requires that school districts and community colleges receive at least the same amount of combined state aid and local property tax dollars as they received in the prior year, adjusted for enrollment growth and growth in per capita personal income.

**Test 3—Adjustment Based on Available Revenues:** Test 3 is used in low revenue years when General Fund revenues decline or grow slowly. During such years, the funding guarantee is adjusted according to available resources. A “low revenue year” is defined as one in which General Fund revenue growth per capita lags behind per capita personal income growth more than one-half percentage point. Test 3 was designed so that education is treated no worse in low revenue years than other segments of the state budget. In years following a Test 3 funding level, the state is required to provide funding to restore what was not allocated the previous year. This is often referred to as a “maintenance factor”.

Assuming the passage of the Governor’s tax proposal, for fiscal year 2011-12, the Proposition 98 guarantee will be \$48.3 billion, of which the General Fund share is \$32.6 billion, with local property taxes covering the balance. The 2011-12 Proposition 98 guarantee will be \$661 million above the level of General Fund appropriated in 2011-12, and that amount will be appropriated in the future as “settle-up” payments. Proposition 98 funding in 2012-13 is proposed to be \$52.5 billion. The General Fund share in 2012-13 is \$37.5 billion, including \$6.6 billion in assumed initiative revenues. In fiscal year 2012-13, it is estimated that the state will be in a Test 1 year.

The funding levels above reflect a \$2.5 billion increase in the Proposition 98 minimum guarantee in 2012-13 assuming passage of the Governor's tax proposal and the revenues from the initiative are budgeted on an accrual basis.

In addition to proposing new revenues, the Budget includes a series of adjustments or "rebenchings" of the Proposition 98 guarantee. Two rebenchings of the Proposition 98 guarantee in 2011-12, for the inclusion of special education mental health services and the exclusion of most child care programs from within the guarantee, are adjusted based upon 1986-87 level costs for those programs. This 1986-87 level cost methodology was used for previous rebenchings and, therefore, the change provides a single and consistent methodology for all rebenching adjustments. An additional adjustment is made for special education mental health services in 2012-13 for costs funded in 2011-12 out of Proposition 63 funds, ensuring that the guarantee is fully adjusted for the program.

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### **K-12 BUDGET ADJUSTMENTS**

Proposals to Balance the Budget:

- **Proposition 98 Savings Adjustments**—A combined reduction of \$373.2 million to reflect: (1) elimination of the policy rebenching made to hold Proposition 98 harmless from the elimination of sales tax on gasoline, and (2) changes to two rebenchings of the Proposition 98 guarantee in 2011-12, for the inclusion of special education mental health services and the exclusion of most child care programs from within the guarantee, to conform them to the methodology used for previous rebenchings.
- **Restructure Administration and Reduce Child Care Costs**—A decrease of \$446.9 million in Non-98 General Fund and \$69.9 million in Proposition 98 General Fund to State Department of Education (SDE) child care programs to reflect changes to reimbursement rates, and to reflect the alignment of eligibility for low-income working family child care services with federal welfare-to-work work participation requirements. These changes are consistent with the Administration's proposal to restructure CalWORKs, which will focus limited state resources on low-income parents working a required number of hours (See the "Child Care" section for details.)
- **Child Nutrition Program Subsidy for Private Entities**—A decrease of \$10.4 million Non-98 General Fund in 2012-13 to reflect the elimination of supplemental

reimbursement for free and reduced-price breakfast and lunch served at private schools and private child care centers.

- State Special Schools Unallocated Reduction—A decrease of \$1.8 million Non-98 General Fund in 2012-13 to reflect a reduction in discretionary funding for the California Schools for the Deaf in Fremont and Riverside and the School for the Blind in Fremont.
- California State Library—A reduction of \$1.1 million Non-98 General Fund to reflect a decrease in anticipated administrative workload resulting from 2011-12 trigger reductions that eliminated \$15.9 million in local assistance programs.
- Special Education Property Tax Adjustment—A decrease of \$24.3 million Proposition 98 General Fund for special education programs in 2011-12 to reflect increased property tax revenues from redevelopment agencies as a result of the ruling in *California Redevelopment Association v. Matosantos*.

Other Significant Adjustments:

- K-12 Deferrals—An increase of \$2.2 billion Proposition 98 General Fund to reduce inter-year budgetary deferrals.
- Transitional Kindergarten—A decrease of \$223.7 million Proposition 98 General Fund to reflect the elimination of the requirement that schools provide transitional kindergarten instruction beginning in the 2012-13 academic year. These savings will be used to support existing education programs.
- Charter Schools—An increase of \$50.3 million Proposition 98 General Fund for charter school categorical programs due to charter school growth.
- Special Education—An increase of \$12.3 million Proposition 98 General Fund for Special Education ADA growth.
- K-14 Mandates Funding—An increase of \$110.1 million to support a new block grant program for K-12 and community college mandates as discussed further below.
- Cost-of-Living Adjustment Increases—The Budget does not provide a cost-of-living-adjustment (COLA) for any K-14 program in 2012-13. The projected 2012-13 COLA is 3.17 percent, which would have provided a \$1.8 billion increase to the extent Proposition 98 resources were sufficient to provide that adjustment. A deficit factor will be established in 2012-13 for school district and county office of

education revenue limit apportionments to reflect the lack of a COLA, ensuring that funding in future years is used to restore this adjustment.

- Local Property Tax Adjustments—An increase of \$196 million for school district and county office of education revenue limits in 2011-12 as a result of lower offsetting property tax revenues. An increase of \$627 million for school district and county office of education revenue limits in 2012-13 as a result of reduced offsetting local property tax revenues.
- Redevelopment Agency Elimination—An increase of \$1.1 billion in offsetting local property taxes for 2012-13 due to the elimination of redevelopment agencies.
- Average Daily Attendance (ADA)—A decrease of \$694 million in 2011-12 for school district and county office of education revenue limits as a result of a decrease in projected ADA from the 2011 Budget Act. An increase of \$158 million in 2012-13 for school district and county office of education revenue limits as a result of projected growth in ADA for 2012-13.
- Unemployment Insurance—An increase of \$21.8 million in 2012-13 to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.
- Child Nutrition Program—An increase of \$37.2 million for 2012-13 in SDE federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.
- Fresh Fruit and Vegetable Program—An increase of \$2 million for 2012-13 in SDE federal local assistance funds for the Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.
- Child Care—The significant workload adjustments for Child Care programs are as follows:
  - Stage 2—A decrease of \$26.3 million non-Proposition 98 General Fund in 2012-13, reflecting primarily the decline in the number of eligible CalWORKs Stage 2 beneficiaries. Nearly 9,000 children whose families were determined eligible for diversion services as a result of the Stage 3 veto in 2010-11 will lose Stage 2 eligibility and re-enter Stage 3 in the budget year. Total base workload cost for Stage 2 is \$416.2 million.



- Stage 3—A net increase of \$4.5 million non-Proposition 98 General Fund in 2012-13 that reflects a relatively flat caseload. The anticipated transfer of nearly 9,000 children from Stage 2 to Stage 3 in the budget year is offset by the number of children who will be disenrolled in the current year due to the contract reduction included in the 2011 Budget Act. Total base workload cost for Stage 3 is \$148.1 million.
- Capped Non-CalWORKs Programs—On a workload basis, the Budget provides an increase of \$29.9 million in non-Proposition 98 General Fund to fund the statutory COLA of 3.17 percent for capped child care programs, and an increase of \$11.7 million in Proposition 98 General Fund to fund the COLA for part-day preschool. However this COLA is eliminated as part of the child care reductions.
- Child Care and Development Funds (CCDF)—A net increase of \$14.9 million federal funds in 2012-13 reflecting removal of one-time carryover funds available in 2011-12 (\$3.5 million), an increase of \$23.2 million in carryover funds, and a decrease of \$4.8 million in available base grant funds.

#### Ballot Trigger Reduction:

- If new revenues are not achieved, the Proposition 98 guarantee will drop by \$2.4 billion in 2012-13. In addition, Proposition 98 will be rebenchmarked to shift K-14 General Obligation Bond debt service costs into Proposition 98, resulting in additional savings of \$2.4 billion. As a result, total program funding for Proposition 98 will drop by \$4.8 billion, which will eliminate the \$2.2 billion repayment of inter-year budgetary deferrals proposed in the Budget for 2012-13. The remaining \$2.6 billion reduced from Proposition 98 would equate to shortening the school year by more than three weeks. The Administration will work with school officials and stakeholders to develop legislation that protects education programs, but allows schools to develop and implement necessary contingency plans.

#### Significant Other General Fund Policy Issues:

- Greater Flexibility and Accountability—California's school finance system has become too complex, administratively costly and inequitable. There are many different funding streams, each with its own allocation formula and spending restrictions. Many program allocations have been frozen and no longer reflect demographic and other changes. Furthermore, the fiscal flexibility

that has recently been provided to schools is time-limited and excludes some significant programs.

- To remedy this, the Budget proposes a weighted pupil funding formula that will provide significant and permanent additional flexibility to local districts by consolidating the vast majority of categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. The formula will distribute these combined resources to schools based on weighted factors that account for the variability in costs of educating specific student populations, thereby ensuring that funds will continue to be targeted to schools with large populations of disadvantaged pupils. The formula will be phased in over a period of five years.
- All of the programs that will be replaced by the formula will immediately be made completely flexible for use in supporting any locally determined educational purpose.
- This proposal will be coupled with a system of accountability measures that will be the basis for evaluating and rewarding school performance under this finance model. These measures will include the current quantitative, test-based accountability measures, along with locally developed assessments and qualitative measures of schools.
- Reform K-14 Mandates—The Budget provides a total of \$200 million to fund a mandates block grant incentive program for K-12 schools and community colleges. Legislation will eliminate almost half of all current K-14 mandates and will create incentives for schools to continue to comply with remaining previously mandated activities. The significant shortcomings of existing mandates and the process for administering them compel this reform. Many existing mandates fail to serve a compelling purpose. The mandates determination process takes years. Reimbursement costs are very often higher than anticipated and can vary greatly district by district. Further, the reimbursement process rewards inefficiency.
- Eliminate Unnecessary Mandates—The proposal will eliminate nearly half of all existing mandates, including Graduation Requirements (Second Science Course) and Behavioral Intervention Plans. While the mandate to perform these activities will be eliminated, local districts may choose to continue these activities at local discretion.

- **Preserve Core Programs and Functions—**Mandates that are not eliminated will be made optional. However, the proposal creates a block grant to encourage schools to continue meeting these requirements. Receipt of funding from this block grant will be conditioned on schools complying with these provisions. The proposal will sustain core programs, including school and county office fiscal accountability reporting. It will also continue to support sensitive notification and school safety functions like pupil health screenings, immunization records, AIDS prevention, School Accountability Report Cards, and criminal background checks. The mandates block grant provides an almost 340-percent increase in funding to encourage districts to perform these programs.
- **Streamline and Expand Financial Support for Charter Schools—**The Budget proposes to improve in general the operational and financial playing field for charter schools. Charter schools receive less per average daily attendance funding than traditional public schools and are not eligible for mandate reimbursements. They have limited options for borrowing funds at affordable interest rates and may not issue bonds. To address these issues, the Budget proposes the following changes:
  - **Enhance Charter School Funding—**(1) Fully fund non-classroom-based charter schools and continue to provide growth funding for all charter schools through the charter school categorical block grant, until a weighted student formula replaces this funding mechanism, (2) stabilize funding for the Charter School Revolving Loan Fund by providing additional access to proceeds available in the Charter School Security Fund, (3) facilitate timely processing of charter school deferral exemption requests by eliminating the requirement that requests be reviewed by the charter authorizer, and (4) provide additional borrowing opportunities to charter schools by specifying in statute that Local Educational Agencies (LEAs) may include charter schools in their issues of County Treasury Revenue Anticipation Notes (TRANS). LEAs issuing TRANS will be statutorily identified as senior creditors for the purposes of the repayment of TRANS issued on behalf of a charter school.
  - **Invest in Charter School Facilities—**(1) Allow non-classroom-based charter schools to participate in the Charter School Facility Grant Program (Grant Program), (2) facilitate the timely release of Grant Program funds by eliminating some of the up-front application processes and streamlining eligibility determinations, and (3) specify in statute that the state be identified as the senior creditor for Grant Program fund accountability purposes.

- Improve Charter School Working Capital—Authorize the California School Finance Authority to: (1) refinance existing working capital revenue bonds, (2) expand charter school payment intercepts to include categorical block grant funds, and (3) expand working capital financing to include charter management organizations.

#### **SCHOOL REVENUE LIMIT APPORTIONMENTS**

K-12 revenue limits provide the primary form of general purpose funding assistance to California’s public schools. These funds are discretionary and typically cover the cost of teacher and administrator salaries. Funding is distributed to schools based on ADA.

The average revenue limit per pupil in the current year is estimated to be \$5,717 per ADA. A school district’s revenue limit is funded from two sources—local property taxes and state General Fund. Local property taxes are allocated first and, if insufficient to fully fund a school’s revenue limit apportionment, state General Fund pays the difference.

When state General Fund is insufficient to fully fund revenue limits statewide, a deficit factor is created to reduce funding to all schools by the same percentage. The deficit factor keeps track of reductions to school revenue limits which will be restored when sufficient funding is available in the future.

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### **K-12 SCHOOL FACILITIES**

Since 1998, voters have approved approximately \$35 billion in statewide general obligation bonds to construct or renovate public school classrooms used by the state’s 6.3 million elementary, middle and high school students. In addition to general obligation bonds, school districts may utilize developer fees, local bonds, certificates of participation and Mello-Roos bonds to construct additional classrooms or renovate existing classrooms. The Budget proposes to shift existing School Facilities Program bond authority from the Overcrowding Relief Grant Program to the New Construction program and to regulate the allocation of new construction and modernization funds to ensure continued construction of new classrooms and modernization of existing classrooms. This action will delay local authority to impose a third level

construction fee while continuing construction of new classrooms using bond proceeds, fee revenues and local funds.

## **CHILD CARE**

### **BACKGROUND ON THE EXISTING CHILD CARE SYSTEM**

Subsidized Child Care includes a variety of programs designed to support the gainful employment of low-income families. These programs are primarily administered by the SDE through non-Proposition 98 funding and the annual federal Child Care and Development Fund grant. Additionally, part-day preschool programs—funded through Proposition 98—meet a child care need, but are also designed as an educational program to help ensure children develop the skills needed for success in school. All programs, with the exception of preschool, are means-tested and require that families receiving subsidies have a need for child care, which means all adults in the family must be working or seeking employment, or are in training that leads to employment. The part-day State Preschool program is an exception to the need-based requirement because it is primarily an education program. Most programs are capped, drawing eligible families from waiting lists, while those specifically limited to CalWORKs families or former CalWORKs families have been funded for all eligible recipients.

The major capped programs include General Child Care, State Preschool, Alternative Payment Program, and Migrant Child Care. CalWORKs programs include: Stage 1, administered by the Department of Social Services (DSS), is for families on cash assistance whose work activities have not stabilized; Stage 2, administered by the SDE, is for those CalWORKs families with stable work activities and for families who are transitioning off of aid, for up to two years; and Stage 3, also administered by the SDE, has been reserved for families who have successfully transitioned off of aid for more than two years and still have a child care need.

Total funding for SDE child care programs in 2011-12 is \$2 billion, consisting of \$1.1 billion in non-Proposition 98 General Fund, \$373.7 million in Proposition 98 General Fund, and \$543.1 million in federal funds. Stage 1 child care totals \$428.3 million General Fund/TANF and is included in the DSS budget. Collectively, the SDE programs are estimated to serve 298,600 average monthly enrolled children and Stage 1 child care serves 44,300 children, for a current-year average monthly total of 342,900.

**REDUCE CHILD CARE COSTS AND RESTRUCTURE  
ADMINISTRATION OF CHILD CARE**

Total funding proposed for SDE child care programs in 2012-13 is \$1.5 billion, consisting of \$585.3 million in non-Proposition 98 General Fund, \$310.2 million in Proposition 98 General Fund, and \$557.9 million in federal funds. The \$1.5 billion total funding reflects a \$446.9 million reduction to child care programs funded from non-Proposition 98 General Fund, and a reduction of \$69.9 million in Proposition 98 General Fund for part-day preschool. Funding for cash-aided families who are currently enrolled in Stage 1 child care totals \$442 million General Fund/TANF and is included in the DSS budget. Collectively, the SDE and DSS programs are estimated to serve 292,900 average monthly enrolled children in 2012-13. This figure reflects the elimination of 62,000 child care slots and other caseload changes.

The reductions to SDE child care programs reflect changes to reimbursement rates. They also reflect the alignment of eligibility and need criteria for low-income working family child care services with federal income eligibility rules and welfare-to-work participation requirements. These changes are consistent with the Administration's proposal to restructure CalWORKs, which will focus limited state resources on low-income families working a required number of hours (see Department of Social Services in the Health and Human Services section). Over time, the three-stage child care system for current and former CalWORKs recipients, and programs serving low-income working parents, will be replaced with a work-based child care system administered by county welfare departments.

By focusing the state's subsidized child care programs on supporting work, the state will be able to maximize the number of available child care slots within constrained resources. Using Proposition 10, federal and other local funds, local entities can invest in program quality improvement based on local needs and priorities.

The child care reductions consist of the following:

- A decrease of \$293.6 million in non-Proposition 98 General Fund by requiring families to meet federal welfare-to-work participation requirements. This change will eliminate services for families who do not work a required number of hours. Part-day preschool programs will not be affected by this reduction, as these programs are not intended to meet the full-time needs of working parents. This reduction will eliminate about 46,300 child care slots.

- A decrease of \$43.9 million in non-Proposition 98 General Fund and \$24.1 million in Proposition 98 General Fund by reducing the income eligibility ceilings from 70 percent of the state median income to 200 percent of the federal poverty level. This level equates to 61.5 percent of the state median income for a family size of three, reflecting a reduction in the income ceiling from \$42,216 to \$37,060. This reduction will eliminate about 15,700 child care slots.
- A decrease of \$29.9 million in non-Proposition 98 General Fund and \$11.7 million in Proposition 98 General Fund by eliminating the statutory COLA for capped non-CalWORKs child care programs.
- A decrease of \$11.8 million in non-Proposition 98 General Fund by reducing the reimbursement rate ceilings for voucher-based programs from the 85<sup>th</sup> percentile of the private pay market, based on 2005 market survey data, to the 50<sup>th</sup> percentile based on 2009 survey data. To preserve parental choice under lower reimbursement ceilings, rates for license-exempt providers will remain comparable to current levels, and these providers will be required to meet certain health and safety standards as a condition of receiving reimbursement. (A corresponding \$5.3 million General Fund decrease is made to Stage 1 in the DSS budget.)
- A decrease of \$67.8 million in non-Proposition 98 General Fund and \$34.1 million in Proposition 98 General Fund by reducing the standard reimbursement rate for direct-contracted Title 5 centers by 10 percent.

Components of the administrative restructuring of child care consist of the following:

- Beginning in 2013-14, families meeting federal work requirements will receive a work bonus issued by the county welfare departments to better support working families.
- In the budget year, the SDE will continue to administer services payment contracts with alternative payment programs (which administer voucher-based programs) and Title 5 centers. Contracts with alternative payment programs for funding remaining after the reimbursement rate and eligibility reductions will be consolidated. Priority for voucher-based services will be given to families whose children are recipients of child protective services, or at risk of being abused, neglected, or exploited, and cash-aided families. Cash-aided families that are currently enrolled in Stage 1 will continue to receive child care services.
- Beginning in 2013-14, the eligibility and payment functions will shift from the alternative payment programs and Title 5 centers to the counties, though counties may contract with these agencies to perform the payment function. All eligible

families, including those currently enrolled in Title 5 centers, will receive a voucher for payment to a provider of their own choice. This will shift responsibility for the administration of services for approximately 142,000 children from the SDE to the counties. The SDE will continue to administer part-day preschool programs.

- The Administration is also proposing legislation, effective in 2013-14, to require counties and alternative payment programs to identify and collect overpayments. The legislation also imposes sanctions on agencies that do not reduce the incidence of overpayments, and it also imposes sanctions on providers and families who commit intentional program violations. Any savings will be reinvested in child care slots.

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## **CALIFORNIA STATE LIBRARY**

The 2011-12 Budget included the elimination of \$15.9 million in General Fund support for the following discretionary programs administered by the California State Library: the Public Library Foundation (\$3 million), the California Library Services Act (\$8.5 million), the California English Acquisition and Literacy Program (\$3.7 million), the California Civil Liberties Public Education Program (\$450,000), and the California Newspaper Project (\$216,000).

To conform to these local assistance reductions, the Budget proposes a reduction of \$1.1 million Non-98 General Fund to reflect a decrease in associated administrative workload. Despite this reduction, the California State Library will continue to preserve California's history and cultural heritage, and share its collection of historic documents with the citizens of California.